

STATEMENT OF COMMISSIONER KATHLEEN Q. ABERNATHY

Earlier this year, the Federal-State Joint Board on Universal Service issued a Recommended Decision proposing more stringent guidelines for the designation of eligible telecommunications carriers. The Recommended Decision also suggested possible changes to the practice of supporting an unlimited number of connections provided by an unlimited number of carriers. These are pivotal issues that must be addressed if the Commission is to ensure the sustainability of universal service over the long haul. As the Commission considers the Recommended Decision, this Public Notice addresses a separate yet integrally related issue: the *basis* for support in rural areas.

In 1997, the FCC determined that high-cost universal service support — for carriers of all sizes and categories — should be based on the forward-looking economic costs of providing the supported services. Yet the Commission recognized even then that developing an appropriate forward-looking cost model or alternative mechanism for smaller rural carriers would pose significant challenges. Following further scrutiny by the Rural Task Force, the Commission decided to continue to rely on embedded costs for five years based on doubts about whether the cost model used in the “non-rural” program would yield reliable estimates of costs in the areas served by rural telephone companies.

We are nearing the end of the five-year freeze. It is now necessary for the Joint Board and the Commission to work cooperatively to determine what comes next. Although a prior Commission embraced a forward-looking cost methodology for all carriers, we are launching this renewed inquiry to take a fresh look at the wisdom and feasibility of abandoning the embedded cost mechanism used to support rural telephone companies. I look forward to building a thorough record and working with my colleagues on a recommended decision.

